



# GUIDE TO THE GENERAL ELECTION

2019

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# INTRODUCTION

**Market Financial Solutions (MFS) is one of the UK's foremost specialist finance providers. Our suite of bespoke lending products ensures private clients and brokers have access to tailored bridging loans that can be deployed quickly and in a wide range of different financial circumstances.**

Since 2006, we have been working closely with property owners, investors and buy-to-let landlords, making sure that even in times of political transitions and economic shocks, our network of clients has immediate access to fast finance and expert support.

Over the last three years, one of the biggest challenges facing the UK's lending market has been the uncertainty surrounding Brexit. Since the country voted in the majority to leave the EU in 2016, the government has been in a political deadlock, unable to conclude Brexit negotiations or provide the clarity needed for consumers, businesses and investors to effectively plan for the future.

Following his appointment as prime minister on 24 July 2019, Boris Johnson was adamant the UK would leave the EU with or without a deal come 31 October. For some, there was hope that his brash commitment would force opposing factions to compromise and vote in

favour of the new withdrawal bill. This ultimately did not come to pass, with the Prime Minister's new withdrawal bill defeated in the House of Commons, leading to a third extension of the Brexit deadline to 31 January 2020.

In the latest turn of events, and in the hope to break the political deadlock in Westminster, the government has called for a general election to take place on 12 December 2019. The Prime Minister is hoping the public will vote for the Conservative Party out of a desire to get a deal done.

The election campaigns are now underway, with each of the major political parties announcing their bold policy reforms for the country. Looking beyond Brexit, housing is set to be a significant topic of discussion and debate.

To help outline the vision each major party has for the property market in the post-Brexit world, we have created a guide of the key reforms being proposed, ensuring those involved in the real estate sector understand what changes to legislation could come to pass following the general election. In doing so, this guide serves as an important reference tool for brokers seeking to inform their clients about the potential implications of the various possible outcomes to the vote.

# THE CONSERVATIVE PARTY

Since the 2017 general election, the Conservative Party has led a minority government in coalition with the Democratic Unionist Party (DUP). This coalition, coupled with internal party divisions between Remainers and Brexiters, has meant that the government has struggled when it comes to passing proposed reforms.

This has been made more complicated by the constant reshuffling of cabinet positions. The most recent cabinet reshuffle resulted in the appointment of Esther McVey as Housing Minister – the ninth person to hold this position since the Conservatives first took power in 2010.

As a result, many of the bold policy reforms previously announced under former Prime Ministers David Cameron and Theresa May have not passed into law. Consequently, there are serious question marks hanging over the government's ability to address the housing crisis and achieve its target of delivering 300,000 new build homes annually by the mid-2020s.

At the 2019 Conservative Party Conference, various ministers took the opportunity to outline their proposed vision for the housing market, offering a series of proposals to ensure more people can get on and move up the property ladder. The main policies include:

- Loosening of planning permission so that homeowners can add two storeys to their existing property without planning permission
- Creation of powers for communities to stop developments they judge to be “ugly”, ensuring there are more aesthetically pleasing new-builds that reflect the wants and needs of the local community
- A new shared ownership Right to Buy plan (SORTB), meaning housing association tenants living in new-builds will be given the right to buy a share of as little as 10%. The incrementations of buying the homes would be reduced from 10% to 1%, potentially making it easier to get on the property ladder

Increasing the appeal of new-builds is seemingly on the mind of those in government; Chancellor Sajid Javid has also proposed a significant amount of spending for

housing, including an infrastructure project worth £29 billion. Connectivity of new-build developments has been a point of concern for much of the buying market and improving their transport links could enhance the desirability of property outside of the capital.

## CHANGES TO STAMP DUTY?

Members of the party have hinted that Stamp Duty could be subject to major reforms. During the Conservative party leadership contest, Boris Johnson suggested scrapping the tax altogether on properties valued at £500,000 and below, as well as reducing the rate payable on homes valued at £1.5 million and above from 12% to 7%. According to analysis by estate agent Savills, Johnson's plan could have meant that of property transactions conducted in 2018/19, an additional 300,000 would have been exempt from paying Stamp Duty. However, in the lead up to the now-cancelled 2019 Autumn Budget, Chancellor Sajid Javid suggested a major overhaul of Stamp Duty is not on the cards at this time.

The Conservative's plans for housing, broadly speaking, aim to increase the appeal and production of new-builds, while at the same time promoting home ownership. The question is whether the Conservative Party will be able to turn these policies into actual reforms should it be re-elected to power, given the limited progress it has made while in government.



**Boris Johnson**, leader of the Conservative Party

# THE LABOUR PARTY

Since being in opposition under the leadership of Jeremy Corbyn, the Labour Party has made numerous pledges to address the housing crisis and ensure home ownership is attainable by those currently living in rental accommodation or reliant on social housing. Its most recent pledge has been to increase the number of affordable houses on the market and also improving the quality of new homes.

## RIGHT TO BUY

Arguably Labour's flagship housing policy could be a new 'right to buy' scheme. First suggested by Jeremy Corbyn during his 2015 leadership bid, it would allow tenants to buy their homes from their landlords at a "reasonable" price.

The party also wants to limit the ability of those living in social housing to buy their properties. Due to a phenomenon known as Right-to-Buy-to-Let, more than four in ten homes purchased under the Right to Buy scheme go on to be resold and subsequently let out by private landlords. With as many as 50,000 social homes being taken off the register each year, a Labour government will likely try to halt this trend.



## BUILDING MORE SOCIAL HOUSING

In 2018, the party also confirmed its intention to build 100,000 new social homes every year, or a million genuinely affordable homes over the course of two parliaments, as part of its housing green paper. This would amount to the largest government-backed house building programme since the 1970s. Whilst the cost of such a scheme would certainly tally into the billions, the party hasn't yet committed to a certain amount. Housing charity Shelter suggests it could cost around £10.7 billion over the next 20 years. Shadow Housing Secretary Alexander Cunningham has also mentioned that pension funds could be brought in to fund it, as well as money from the party's proposed £250 billion National Investment Bank.

## OVERHAULING COUNCIL TAX

Finally, the Labour Party wants to see the complete overhaul of council tax. A policy document released in June suggests that landlords should pay the levy rather than tenants (as is the case in Australia). They have also previously touted doubling council tax on second homes and vacant homes in a bid to free up housing stock.

Labour's housing policies have the potential to be much more radical than the Conservative Party's. Corbyn et al aim to reshape the overall state of the market and undo what it sees as housing inequality caused by successive Conservative governments. Where its proposition to the public has strength is in its ability to invoke the Tories' failure to meet their own housing targets. Whilst housebuilding is increasing, this is an argument that Boris Johnson will need to counter over the course of the campaign.



Jeremy Corbyn, leader of the Labour Party



# THE LIBERAL DEMOCRATS

**The Liberal Democrats' housing policy centres mainly on tackling the housing crisis. The party is promising to build more affordable homes, introduce new rules to protect tenants and help local authorities borrow more money to kickstart new developments. Whilst they are yet to outline their policies in any great detail, they made various announcements during the conference season that give an indication of how they intend to tackle the challenges facing the housing market.**

The proposed creation of a new Housing Investment Bank marks a real difference with the other main parties. They hope it will simplify the allocation of public funds and improve access to finance for social housing providers through government guarantees and equity investment, amongst other funding lines. The bank would be geared toward meeting the 300,000 new homes a year target and would be charged with supporting small and medium-sized builders.

Of interest to investors may well be the party's plans to reduce the number of vacant houses. It suggests there are more than 102,000 empty homes in England that could be occupied to help tackle the housing crisis, allowing councils to charge full council tax on second homes and empty homes.



Jo Swinson, leader of the Liberal Democrats





# PREPARING FOR THE BREXIT ELECTION

**The three main parties have predictably different visions when it comes to addressing the property market. The Conservatives aim to deliver reform via planning reform, tax change and investment, whilst Labour is prioritising the construction of affordable housing. The Liberal Democrats synthesise aspects of both, whilst also wanting to empower councils to lead the fight against the housing crisis.**

Where there is consistency, is the focus on massively increasing the number of new-builds. Each suggest a suite of policies, many of them innovative and disruptive, but all have reaching the 300,000 new homes per year as a central target. This is a vital aim, but governments of any stripe must continue to recognise, and prioritise, private property investment if enough highly marketable homes are to be built.

The question is now over whether any of the major parties will be able to accrue a significant enough majority in parliament to implement their plans over the years ahead. Moreover, regardless of the result, the housing market will likely not see significant reforms

being introduced until Brexit is finally sorted, whether that is by 31 January 2020 or another date in the future.

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